

Taylorsville-Bennion Improvement District

- : -

Independent Auditor's Report

December 31, 2005 and 2004



ROBISON, HILL & Co.
A PROFESSIONAL CORPORATION

Certified Public Accountants

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A PROFESSIONAL CORPORATION

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Taylorsville-Bennion Improvement District
1800 West 4700 South
Taylorsville, Utah 84118

Dear Members of the Board:

We have audited the accompanying statements of net assets of Taylorsville-Bennion Improvement District as of December 31, 2005 and 2004, and the related statements of revenue, expenses, and changes in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of the District's Management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taylorsville-Bennion Improvement District as of December 31, 2005 and 2004, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2006, on our consideration of Taylorsville-Bennion Improvement District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope

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of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The accompanying supplementary information listed in the table of contents (Schedules 1 and 2) is presented for purposes of additional analysis and is not a required part of the financial statements of Taylorsville-Bennion Improvement District. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Certified Public Accountants

Salt Lake City, Utah
May 15, 2006

Management's Discussion and Analysis

(Unaudited)

The following is a discussion and analysis of Taylorsville-Bennion Improvement District's financial activities for the year ended December 31, 2005. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities as of the close of the most recent year by \$58,786,885.
- The District's total net assets increased by \$831,582.
- Issued taxable sewer revenue bonds in the amount of \$3,269,045.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other states and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District are proprietary funds.

Proprietary funds

The District uses an enterprise fund to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Notes to financial statements

The notes provide additional information that is essential to the full understanding of the data provided in the fund financial statements. The notes are part of the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District.

Financial statement analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$58,786,885 at the close of the most recent fiscal year.

Condensed Financial Information

Net Assets

The largest portion of the District's net assets (86.3%) reflects its investment in capital assets (e.g. land, buildings, water system, sewer system, equipment, and water rights) less any related debt used to acquire those assets that is still outstanding. Resources needed to repay capital-related debt must be provided from other sources.

An additional portion of the District's net assets (3.4%) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of unrestricted net assets (10.3%) may be used to meet the District's obligations to customers, member agencies, employees, and creditors.

At the end of the fiscal year, the District is able to report positive balances in all three categories of net assets.

Taylorsville-Bennion Improvement District's Net Assets

	2005	2004
Assets:		
Current and other assets	\$ 8,710,988	\$ 5,338,015
Capital assets	57,528,132	58,501,990
Total assets	<u>66,239,120</u>	<u>63,840,005</u>
Liabilities:		
Current and other liabilities	2,029,850	2,485,259
Long-term liabilities	5,422,385	3,399,443
Total liabilities	<u>7,452,235</u>	<u>5,884,702</u>
Fund Net Assets:		
Invested in Capital assets, net of related debt	50,716,883	53,158,218
Restricted	2,000,893	2,000,535
Unrestricted	6,069,109	2,796,550
Total fund net assets	<u>\$ 58,786,885</u>	<u>\$ 57,955,303</u>

Changes in Net Assets

The District's net assets increased by \$831,582 during the 2005 fiscal year. Key elements of this overall increase are as follows:

- Depreciation played a major factor in the decrease of capital assets. However, due to a \$3,269,045 bond through Central Valley Water Reclamation Facility (CVWRF), cash and unrestricted assets increased resulting in an overall increase in total assets.
- The decrease in current liabilities was caused by the retirement of a lease/purchase agreement with Zion's First National Bank. Long-term liabilities had an overall increase due to the addition of the CVWRF bond.

- The total increase in liabilities was less than the increase in total assets. These two factors caused an overall increase in total net assets.

Taylorville-Bennion Improvement District's Changes in Net Assets

	<u>2005</u>	<u>2004</u>
Revenues:		
Operating revenues	\$ 8,155,418	\$ 7,734,154
Operating contributions	341,857	452,737
Other revenues:		
Property taxes and assessments	490,769	487,864
Interest income on investments	172,365	51,361
Gain (Loss) on disposal of assets	(6,188)	26,120
Other non-operating revenue	292,459	659,578
Total revenues	<u>9,446,680</u>	<u>9,411,814</u>
Expenses:		
Operating expenses	8,363,023	8,105,953
Interest on long-term debt	252,075	253,244
Total expenses	<u>8,615,098</u>	<u>8,359,197</u>
Change in net assets	\$ 831,582	\$ 1,052,617
Net assets - beginning of year	<u>57,955,303</u>	<u>56,902,686</u>
Net assets - end of year	<u>\$ 58,786,885</u>	<u>\$ 57,955,303</u>

Statement of Revenue

Material differences between 2004 and 2005 fiscal years as it affected the District's revenue is as follows:

- A rate increase of \$0.07 per 1,000 gallons (6%) for both water and sewer resulted in an operating revenue increase of \$421,264 over last year.
- The variable nature of development creates an apparently large fluctuation in other non-operating revenues. Because both water and sewer impact fees are attained from the developers of new construction, a decline in income is contributed to the decline in development during the last fiscal year.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets, as of December 31, 2005, amounts to \$47,152,051 (net of accumulated depreciation). The increase in depreciation was larger than the increase in assets, which creates an overall decrease in capital assets. This investment in capital assets includes the water system, sewer system, administrative buildings and land, water rights, well houses, reservoirs, and equipment.

Major capital asset events during the fiscal year 2005 included the following:

- Increase in water and sewer systems of \$481,455
- Increase in depreciation of \$1,960,644

Taylorsville-Bennion Improvement District's Capital Assets

	2005	2004
Capital assets:		
Water system	\$ 53,668,650	\$ 53,358,928
Sewer system	15,344,698	15,172,965
Water rights	1,403,518	1,386,985
Equipment	3,135,713	3,082,151
Land and building	4,553,600	4,541,834
Total	<u>\$ 78,106,179</u>	<u>\$ 77,542,863</u>
Less Accumulated Depreciation	<u>(30,954,128)</u>	<u>(28,993,484)</u>
Net Capital Assets	<u><u>\$ 47,152,051</u></u>	<u><u>\$ 48,549,379</u></u>

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At the end of the current year, the District had total debt outstanding of \$5,422,385. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Taylorsville-Bennion Improvement District's Outstanding Debt

	2005	2004
Long-term debt:		
Revenue bonds	\$ 5,422,385	\$ 3,350,000
Notes payable	-	49,443
Total	<u><u>\$ 5,422,385</u></u>	<u><u>\$ 3,399,443</u></u>

The District sells its revenue bonds through Zion's Investment Securities, Inc. The District's revenue bonds are rated Aaa by Moody's and are insured. Additional taxable sewer revenue bonds were issued through CVWRF. Further information on the District's long-term debt can be found in the notes of the financial statements.

Requests for Information

This financial report is designed to provide a general overview of Taylorsville-Bennion Improvement District's finances for all those with an interest. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the accounting office at P.O. Box 18579, Taylorsville, Utah 84118-0579.

Taylorsville-Bennion Improvement District

Statements of Net Assets December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
CURRENT ASSETS		
Cash on hand	\$ 751	\$ 751
Cash in checking	23,952	61,479
Cash in short term savings	5,186,346	1,622,411
Accounts receivable sewer and water service	952,687	964,323
Certified liens receivable	177,671	235,267
Other receivable	-	127
Impact fees and water meter receivable	121,840	230,040
Unremitted property taxes	12,217	7,892
Inventory of material and supplies	104,418	108,326
Prepaid expenses	<u>130,213</u>	<u>106,864</u>
Total Current Assets	<u>6,710,095</u>	<u>3,337,480</u>
RESTRICTED ASSETS		
Bond escrow accounts	<u>2,000,893</u>	<u>2,000,535</u>
INVESTMENT IN CENTRAL VALLEY WATER RECLAMATION FACILITY		
Equity (See Note H)	18,732,090	17,743,766
Accumulated amortization	(8,514,697)	(7,949,843)
Working capital advances	<u>158,688</u>	<u>158,688</u>
Total Central Valley Investment	<u>10,376,081</u>	<u>9,952,611</u>

Exhibit 1
(Continued)

Taylorsville-Bennion Improvement District

Statements of Net Assets December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
PROPERTY, PLANT AND EQUIPMENT		
Land	\$ 2,221,115	\$ 2,224,403
Sewer systems	5,399,554	5,374,047
Sewer mains - subdivision	9,945,144	9,798,918
Water systems	30,171,666	30,106,614
Water mains - subdivision	10,445,117	10,249,486
Water systems from West Side Water	520,608	520,608
Water wells	5,686,494	5,686,494
Wells mechanical	1,616,901	1,603,575
Meters and fittings	4,214,514	4,178,801
Garage, Shop and Office building	2,205,615	2,194,872
Chemical Addition buildings	804,788	804,788
Pump houses	208,562	208,562
Fence enclosure and landscaping	89,030	89,030
Furniture and fixtures	37,840	33,529
Trucks	1,141,238	1,127,346
Telemetry system	601,898	601,898
Equipment	<u>1,392,577</u>	<u>1,352,907</u>
Total Property, Plant and Equipment	76,702,661	76,155,878
Less accumulated depreciation	<u>(30,954,128)</u>	<u>(28,993,484)</u>
Net Property, Plant and Equipment	<u>45,748,533</u>	<u>47,162,394</u>
Water rights	<u>1,403,518</u>	<u>1,386,985</u>
Total Assets	<u><u>\$ 66,239,120</u></u>	<u><u>\$ 63,840,005</u></u>

Exhibit 1
(Continued)

Taylorsville-Bennion Improvement District

Statements of Net Assets December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 220,739	\$ 199,769
Accrued payroll, insurance and taxes payable	5,532	4,806
Accrued sick leave payable	268,270	253,704
Central Valley payable (See Note H)	142,761	300,518
Interest payable	60,410	8,327
Security deposits	2,190	2,190
Engineering deposits	83,845	72,134
Current portion of note and lease payable	49,443	613,811
Current portion of bonds payable	<u>1,196,660</u>	<u>1,030,000</u>
Total Current Liabilities	<u>2,029,850</u>	<u>2,485,259</u>
Long-Term Liabilities		
Note and lease payable	-	49,443
Bonds payable	<u>5,422,385</u>	<u>3,350,000</u>
Net Long-Term Liabilities	<u>5,422,385</u>	<u>3,399,443</u>
Total Liabilities	<u>7,452,235</u>	<u>5,884,702</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	50,716,883	53,158,218
Restricted for: Debt Service Reserve	900,000	900,000
Debt Service Account	100,893	100,535
Renewal and Replacement Reserve	1,000,000	1,000,000
Unrestricted	<u>6,069,109</u>	<u>2,796,550</u>
Total Net Assets	<u>\$ 58,786,885</u>	<u>\$ 57,955,303</u>

See accountant's report and notes to financial statements.

Taylorsville-Bennion Improvement District
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
OPERATING REVENUE		
Water service	\$ 5,154,354	\$ 4,931,840
Sewer service	2,769,004	2,511,241
Water connection fees	32,400	76,000
Pre-treatment charges	85,161	93,424
Penalties	34,552	40,083
Miscellaneous	<u>79,947</u>	<u>81,566</u>
 Total Operating Revenue	 <u>8,155,418</u>	 <u>7,734,154</u>
 OPERATING EXPENSES		
Administrative salaries	289,071	310,986
Office salaries	203,447	196,013
Maintenance salaries	697,011	646,997
Overtime salaries	13,361	13,327
Sick pay	32,773	41,216
Safety and service awards	9,957	12,420
Retirement early incentive	52,317	37,413
Central Valley administrative	79,956	73,239
Travel and subscriptions	14,729	17,369
Office expense	47,013	46,214
Janitorial	9,600	9,600
Postage and bank charges	57,376	53,233
Telephone and telemeter	20,198	18,602
Legal services	10,650	8,750
Accounting services	4,255	4,678
Auditing services	17,000	16,000
Computer costs	16,216	13,615
Gas and oil	35,942	32,314
Employee health insurance	288,721	250,479

Exhibit 2
(Continued)

Taylorsville-Bennion Improvement District
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
OPERATING EXPENSES (Continued)		
Insurance - other	\$ 70,518	\$ 71,679
Damage claims	2,095	1,072
Payroll taxes	93,131	89,478
Employees retirement	204,980	181,725
Sewer maintenance	64,838	38,726
Sewage treatment - Central Valley	1,113,418	1,120,613
Utilities	495,097	458,185
Supplies and uniform cleaning	13,536	14,456
Water maintenance	56,220	35,420
Metropolitan Water District	3,440	13,740
Jordan Valley Water Conservancy District	1,458,702	1,377,838
Wells maintenance	12,343	10,925
Landscape - wells and reservoirs	86,248	84,948
Repairs and maintenance - equipment	33,580	26,288
Water analysis	29,519	34,712
Miscellaneous engineering	20,833	7,068
Utah Special Districts	8,000	8,000
Repairs and maintenance - boosters and reservoirs	4,534	5,544
Bond expense	4,320	4,310
Miscellaneous expense	4,469	585
Depreciation	2,046,859	2,076,337
Amortization of investment in Central Valley	636,750	641,839
	<u>8,363,023</u>	<u>8,105,953</u>
Total Operating Expenses		
	<u>8,363,023</u>	<u>8,105,953</u>
Net Operating Income (Loss)	<u>(207,605)</u>	<u>(371,799)</u>

Exhibit 2
(Continued)

Taylorsville-Bennion Improvement District
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
NON-OPERATING INCOME (EXPENSE)		
Property tax revenue and Barrington Park assessments	\$ 490,769	\$ 487,864
Interest income	172,365	51,361
Gain (Loss) on disposal of fixed assets	27,465	22,645
Gain (Loss) on disposal of fixed assets - CVWRF	(33,653)	3,475
Central Valley income	39,998	35,733
Water impact fees	116,419	435,530
Sewer impact fees	136,042	188,315
Interest expense	<u>(252,075)</u>	<u>(253,244)</u>
Net Non-Operating Income (Expenses)	<u>697,330</u>	<u>971,679</u>
Net Income (Loss) before contributions	489,725	599,880
Contributions-builders and subdividers	341,857	452,737
Net Assets - Beginning	<u>57,955,303</u>	<u>56,902,686</u>
Net Assets - Ending	<u><u>\$ 58,786,885</u></u>	<u><u>\$ 57,955,303</u></u>

See accountant's report and notes to financial statements.

Taylorsville-Bennion Improvement District

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 8,193,034	\$ 7,757,993
Cash payments for employees for services	(1,874,122)	(1,765,126)
Cash payments to other suppliers of goods and services	<u>(3,804,694)</u>	<u>(3,683,725)</u>
Net Cash Provided by Operating Activities	<u>2,514,218</u>	<u>2,309,142</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from property taxes and Barrington Park	<u>486,445</u>	<u>495,296</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash received from fixed assets sales	65,711	82,266
Cash received from impact fees	346,461	541,645
Principal paid on Long-Term Debt	(1,643,811)	(1,589,250)
Cash received on Long-Term Debt	2,028,701	-
Interest paid on bonds and notes	(199,991)	(255,261)
Net cash paid for investment in Central Valley	(409,454)	(263,391)
Acquisition of water rights	(15,931)	(748)
Acquisition and construction of capital assets	(325,337)	(638,619)
Cash received from engineering fees and deposits	45,548	59,105
Cash received from Central Valley	<u>461,841</u>	<u>34,014</u>
Net Cash Used for Capital and Related Financing Activities	<u>353,738</u>	<u>(2,030,239)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>172,365</u>	<u>51,361</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,526,766	825,560
Cash and Cash Equivalents at Beginning of Year	<u>3,685,176</u>	<u>2,859,616</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,211,942</u>	<u>\$ 3,685,176</u>

Taylorsville-Bennion Improvement District
Statements of Cash Flows
Increase (Decrease) in Cash and Cash Equivalents
Years Ended December 31, 2005 and 2004

Reconciliation of Net Income to Net Cash Provided by Operating Activities:

	<u>2005</u>	<u>2004</u>
NET OPERATING INCOME (LOSS)	\$ (207,605)	\$ (371,799)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	2,046,859	2,076,337
Amortization of investments in Central Valley	636,750	641,839
(Increase) Decrease in accounts receivable sewer and water	11,636	(71,426)
(Increase) Decrease in certified liens receivable	57,596	107,065
(Increase) Decrease in other receivable	127	5,008
(Increase) Decrease in prepaid expense	(23,349)	(17,277)
(Increase) Decrease in water meter receivable	14,200	(11,800)
Increase (Decrease) in accounts payable	20,088	8,580
Increase (Decrease) in accrued payroll, insurance and taxes	726	(322)
Increase (Decrease) in checks written in excess of cash	-	(65,451)
Increase (Decrease) in engineering deposits	(34,155)	(33,437)
Increase (Decrease) in accrued sick leave payable	14,566	7,896
Increase (Decrease) in Central Valley payable	<u>(23,221)</u>	<u>33,929</u>
Net Cash Provided by Operating Activities	<u>\$ 2,514,218</u>	<u>\$ 2,309,142</u>

Supplemental Schedule of Non-Cash Investing Activities:

Contribution of Fixed Assets From Subdividers	\$ 341,857	\$ 452,737
Accounts payable incurred in purchase of fixed assets	27,306	161,457

Disclosure of Accounting Policy:

For purposes of the Statement of Cash Flows, the District considers all time certificates of deposit, money markets and repurchase agreements to be cash equivalents.

See accountant's report and notes to financial statements.

Taylorsville-Bennion Improvement District

Notes to Financial Statements

December 31, 2005 and 2004

NOTE A - SUMMARY OF ACCOUNTING POLICIES

This summary of accounting policies of Taylorsville-Bennion Improvement District (the "District") is presented to assist in understanding the District's financial statements. These accounting policies conform to generally accepted accounting principles as applied to government units. The following is a summary of the more significant policies.

1. The Reporting Entity

The Taylorsville-Bennion Improvement District is a Political subdivision of the State of Utah organized during June, 1958, for the purpose of providing sewer and water services. The District operates as an Enterprise Fund. The District is not reported as a component unit and there are no component units as defined in GASB Statement 14, which are included in the District's reporting entity.

2. Fund Accounting

The accounts of the District are organized as one proprietary fund type, specifically as an enterprise fund. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the expenses, including depreciation, of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Property, Plant and Equipment

Fixed assets are stated at cost. Subdivision mains contributed by various subdividers are valued at amounts provided by the consulting engineer. Contributed easements are not valued and included as fixed assets. For financial reporting purposes, depreciation of property and equipment is provided on the straight-line method over the following estimated useful lives:

Sewer and Water System	50	Years
Buildings	30	Years
Furniture and Fixtures	8	Years
Automotive Equipment	3	Years
Other Equipment	3-8	Years
Fence Enclosures and Landscaping	20-50	Years
Water Wells	50	Years
Pump Houses	10-30	Years
Telemetry System	8	Years
Wells Mechanical	10	Years

Taylorsville-Bennion Improvement District

Notes to Financial Statements

December 31, 2005 and 2004

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

4. Basis of Budgeting

Budgets are prepared on the accrual basis of government enterprise accounting, with the exception of contributions from builders and subdividers not being budgeted.

5. Deposits and Investments

Deposits and investments for the District are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2005 and 2004, none of the District's bank balances were uninsured and uncollateralized.

Credit Risk - Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), and external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

As of December 31, 2005 and 2004, the District had investments of \$1,509,621 and \$683,824 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated..

In addition, as of December 31, 2005 and 2004, the District held \$3,676,725 and \$938,587 in the Mutual Fund Investment Sweep Account (Victory Federal Money Market Select) - Key Bank which was uninsured and uncollateralized.

Taylorsville-Bennion Improvement District

Notes to Financial Statements December 31, 2005 and 2004

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Restricted Cash - Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the United States government, agencies of the United States government, any state within the territorial United States of America: or repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements: or certain other investments.

Cash and investments at December 31, 2005 and 2004 consisted of the following amounts:

	<u>2005</u>	<u>2004</u>
Cash on hand	\$ 751	\$ 751
Cash in bank	23,952	61,479
Investment in State Treasurers Pool	<u>1,509,621</u>	<u>683,824</u>
Total Cash	1,534,324	746,054
Money Market Accounts	<u>3,676,725</u>	<u>938,587</u>
Total Unrestricted Cash and Investments	5,211,049	1,684,641
Restricted Cash	<u>2,000,893</u>	<u>2,000,535</u>
Total Cash and Investments	<u>\$ 7,211,942</u>	<u>\$ 3,685,176</u>

6. Basis of Accounting

During the year, the accounts of the District are maintained on a modified accrual basis of government enterprise accounting. They are adjusted to the accrual basis of government enterprise accounting for financial reporting purposes. The District is an enterprise fund, which is included under the proprietary fund type. Proprietary funds account for the flow of economic resources and use the accrual basis for accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The District applies all applicable Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except for those that conflict with or contradict GASB.

Taylorsville-Bennion Improvement District

Notes to Financial Statements

December 31, 2005 and 2004

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

7. **Inventories**
Materials and supplies inventories are stated at the lower of cost (first-in, first-out) or market.
8. **Accumulated Compensated Absences**
Accumulated unpaid sick leave is accrued each year. Employees are paid for sick leave days accrued at retirement or termination at their rate of pay at that time. These accrued days can be used for sick leave at any time. Employees can carry over unused sick leave, up to 75 days, or be paid for any portion of their unused sick leave at half their normal pay rate. The sick leave year end is December 31. Accrued sick leave payable at December 31, 2005 and 2004 was \$268,270 and \$253,704 respectively.

The District does not allow employees to carry over vacation.
9. **Pension Plans**
The District participates in the Utah State Retirement Systems (See Note B).
10. **Statement of Cash Flows**
For the purposes of the Statement of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.
11. **Joint Venture**
The District accounts for its interest in a joint venture on the equity basis of accounting.
12. **Accounts Receivable - Sewer and Water**
The District bills customers bi-monthly for sewer and water services. Sewer and water services are billed for the past two months usage.
13. **Water Connection Fees Receivable**
For 2005 and 2004, the water connection fee for a single family dwelling was \$2,300. The District requires the water connection fee to be paid before the water meter is installed. Other water connection rates apply to multiple-unit dwellings.
14. **Revenue Recognition - Property Taxes**
During the years ended December 31, 2005 and 2004, property tax revenue and Barrington Park assessments totaled \$490,769 and \$487,864, respectively. These amounts represent taxes levied for maintenance and operation of the District.

Taylorsville-Bennion Improvement District

Notes to Financial Statements

December 31, 2005 and 2004

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

Property taxes are levied on January 1st based on the assessed value of property as listed on the previous May 31st. Assessed values are an approximation of market value. An evaluation of all real property must be made every year by the county assessor. Property taxes are delinquent after November 30.

The following is a summary of Taylorsville-Bennion Improvement District's total taxable valuation, certified tax rate/mill levy, and taxes levied and collected by year for a ten year period including 1996-2005, as provided by Salt Lake County.

Year	Taxable Valuation	Certified Tax Rate/ Mill Levy	Taxes Levied	Total Taxes Collected	Current Year Levy Collection Percentage
1996	\$ 1,374,150,329.00	0.0270	\$ 365,641.00	\$ 354,250.49	96.88%
1997	1,457,610,808.00	0.0244	371,548.96	359,047.02	96.64
1998	1,556,998,189.00	0.0245	395,434.34	380,657.03	96.27
1999	1,629,267,388.00	0.0245	413,588.17	397,327.14	96.07
2000	1,734,407,660.00	0.0232	415,397.02	398,896.85	96.03
2001	1,905,197,441.00	0.0224	428,017.39	410,099.46	95.81
2002	1,949,605,472.00	0.0206	401,528.91	386,262.30	96.20
2003	1,937,027,148.00	0.0210	407,020.12	392,969.47	96.55
2004	1,990,803,235.00	0.0204	406,123.86	393,596.54	96.92
2005	2,098,243,310.00	0.0195	409,104.10	397,177.43	97.08

15. Fidelity Bond

The District is covered by a public employee blanket bond with the CNA Insurance Company. This bond covers a public official bond on the treasurer in the amount of \$435,000. This complies with the requirements of the State Money Management Act.

16. Reclassification

Certain reclassifications have been made in the 2004 financial statements to conform with the 2005 presentation.

Taylorsville-Bennion Improvement District

Notes to Financial Statements

December 31, 2005 and 2004

NOTE B - DEFINED BENEFIT PENSION PLAN

Plan Description - Taylorsville-Bennion Improvement District contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, 84102 or by calling 1-800-365-8772.

Funding Policy - Taylorsville-Bennion Improvement District was required to contribute 8.690% of covered salary to the Noncontributory system from January 2003 to June 2003, 9.620% from July 2003 to June 2004, 11.090% from July 2004 to June 2005, 11.090% from July 2005 to December 2005. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49. The District's contributions to the Noncontributory Retirement System for the years ending December 31, 2005, 2004 and 2003 were \$134,191, \$120,713 and \$103,957, respectively. The contributions were equal to the required contributions for each year.

Deferred Compensation Plan - The District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Defined Contribution Plan - The District also offers its employees a 401(k) Plan with the Utah Retirement System. The employee paid contributions for the years ending December 31, 2005, 2004, and 2003 were \$19,166, \$34,505, and \$31,362, respectively. The employer paid for employee contributions for the years ending December 31, 2005, 2004, and 2003 were \$57,549, \$70,394, and \$46,395, respectively.

Taylorsville-Bennion Improvement District

Notes to Financial Statements

December 31, 2005 and 2004

NOTE C - CHANGES IN FIXED ASSETS

<u>Fixed Assets</u>	<u>Balance at 12/31/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/05</u>
Land	\$ 2,224,403	\$ 3,712	\$ 7,000	\$ 2,221,115
Sewer system	5,374,047	25,507	-	5,399,554
Sewer main-subdivision	9,798,918	146,226	-	9,945,144
Water systems	30,106,614	65,052	-	30,171,666
Water mains-subdivisions	10,249,486	195,631	-	10,445,117
Water systems contributed by West Side Water	520,608	-	-	520,608
Water wells	5,686,494	-	-	5,686,494
Wells mechanical	1,603,575	13,326	-	1,616,901
Meters and accessories	4,178,801	35,713	-	4,214,514
Garage, Shop & Office	2,194,872	10,743	-	2,205,615
Chemical Addition Buildings	804,788	-	-	804,788
Pump houses	208,562	-	-	208,562
Fence enclosures and landscaping	89,030	-	-	89,030
Furniture and fixtures	33,529	4,631	320	37,840
Trucks and big equipment	1,127,346	113,258	99,366	1,141,238
Telemetering system	601,898	-	-	601,898
Equipment	1,352,907	57,446	17,776	1,392,577
 Total Fixed Assets	 76,155,878	 \$ 671,245	 \$ 124,462	 76,702,661
 Accumulated Depreciation	 (28,993,484)			 (30,954,128)
 Net Value	 \$ 47,162,394			 \$ 45,748,533

NOTE D - UNCLAIMED PROPERTY PAYABLE

Consistent with State of Utah requirements, intangible property which is presumed abandoned over one year must be submitted to the State Treasurer's Office. On an annual basis, the District submits these assets to the State Treasurer's Office.

Taylorsville-Bennion Improvement District

Notes to Financial Statements

December 31, 2005 and 2004

NOTE E - RESTRICTED ASSETS

“Bond escrow accounts”, \$2,000,893 and \$2,000,535 at December 31, 2005 and 2004, respectively, are held according to the provisions of the bond resolution requirement with the following three accounts set up and amounts on deposit at December 31, 2005 and 2004 until the full debt is retired: (1) Debt Service Reserve Account, \$900,000 and \$900,000; (2) Renewal and Replacement Reserve Fund, \$1,000,000 and \$1,000,000, for payment of extraordinary Maintenance and Operation Expenses and contingencies including the prevention or correction of any unusual loss or damage to the system, ie, earthquake damage; and (3) Debt Service Account for payment of current debt, \$100,893 and \$100,535.

NOTE F - CHANGES IN LONG-TERM DEBT

The district retired \$1,030,000 of revenue bonds during 2005 and \$995,000 of revenue bonds during 2004. The District issued \$9,000,000 water and sewer revenue bonds on February 15, 1999 for the purpose of financing the acquisition and construction of certain improvements and extensions to the District's system. The District also entered in a lease/purchase agreement, secured by the District's assets, with Zions First National Bank on June 21, 2000 to finance the acquisition and/or construction of real property and/or improvements, and/or the acquisition of equipment. The total long-term debt payable as of December 31, 2005 and 2004, consists of the following:

BONDS	2005	2004
Revenue Bonds:		
Series of 1999	\$ 3,350,000	\$ 4,380,000
Central Valley Water Reclamation Facility	3,269,045	-
Total Bonds Payable	6,619,045	4,380,000
Other Long-Term Debt:		
Note payable - Erkelens Water Rights	49,443	110,698
Lease payable - Zions First National Bank	-	552,556
Total Other Long-Term Debt	49,443	663,254
Total Long-Term Debt Payable	<u>\$ 6,668,488</u>	<u>\$ 5,043,254</u>

Taylorsville-Bennion Improvement District

Notes to Financial Statements

December 31, 2005 and 2004

NOTE F - CHANGES IN LONG-TERM DEBT (Continued)

During 2005, the Central Valley Water Reclamation Facility issued taxable sewer revenue bonds totaling \$35,000,000 to fund the post-1993 ownership of the treatment facility. The District's share of the bonds is \$3,269,045. A portion of the revenue bonds issued during 2005 was distributed to the members. The members are responsible to fund debt service requirements over the life of the bonds. The amount distributed to the District during 2005 is \$2,028,701. The remaining bond funds are being used to fund a Central Valley Water Reclamation Facility project. Accrued interest payable on the bonds as of December 31, 2005 is \$54,737.

NOTE G - LONG-TERM DEBT SERVICE REQUIREMENTS

With respect to the Water and Sewer Revenue Bonds, the District's Net Revenues as defined in the bond documents for the year must be equal to at least 110% of the Aggregate Debt Service for the year plus any amount required to be deposited in the Debt Service Reserve Account.

The following is a summary of the long-term debt service requirements.

WATER AND SEWER REVENUE BONDS

SERIES 1999

BOND AND INTEREST REQUIREMENTS

TOTAL ISSUE \$9,000,000

Year Ended December 31,	Interest Rate	<u>Interest Due</u>		<u>Principal Due</u>	
		June 15 of Year	December 15 of Year	December 15 of Year	Total Due for Year
2006	4.000	\$ 67,858.75	\$ 67,858.75	\$ 1,075,000.00	\$ 1,210,717.50
2007	4.050	46,358.75	46,358.75	1,115,000.00	1,207,717.50
2008	4.100	23,780.00	23,780.00	1,160,000.00	1,207,560.00
		<u>\$ 137,997.50</u>	<u>\$ 137,997.50</u>	<u>\$ 3,350,000.00</u>	<u>\$ 3,625,995.00</u>

Taylorsville-Bennion Improvement District

Notes to Financial Statements

December 31, 2005 and 2004

NOTE G - LONG-TERM DEBT SERVICE REQUIREMENTS (Continued)

TOM ERKELENS WATER RIGHTS NOTES PAYABLE

PRINCIPAL AND INTEREST REQUIREMENT

TOTAL NOTE \$460,000

Year Ended December 31,	Interest Rate	Interest Due	Principal Due	Total Due for Year
2006	8.5	\$ 2,116.09	\$ 49,443.29	\$ 51,559.38

CENTRAL VALLEY WATER RECLAMATION FACILITY

TAXABLE SEWER REVENUE BONDS

PRINCIPAL AND INTEREST REQUIREMENT

TOTAL LOAN \$3,269,045

Year Ended December 31,	Interest Rate	Interest Due	Principal Due	Total Due for Year
2006	3.00	\$ 98,071.35	\$ 121,659.82	\$ 219,731.17
2007	3.00	94,421.56	125,309.61	219,731.17
2008	3.00	90,662.27	129,068.90	219,731.17
2009	3.00	86,790.20	132,940.97	219,731.17
2010	3.00	82,801.97	136,929.20	219,731.17
2011	3.00	78,694.10	141,037.07	219,731.17
2012	3.00	74,462.98	145,268.19	219,731.17
2013	3.00	70,104.94	149,626.23	219,731.17
2014	3.00	65,616.15	154,115.02	219,731.17
2015	3.00	60,992.70	158,738.47	219,731.17
2016	3.00	56,230.55	163,500.62	219,731.17
2017	3.00	51,325.53	168,405.64	219,731.17
2018	3.00	46,273.36	173,457.81	219,731.17
2019	3.00	41,069.62	178,661.55	219,731.17
2020	3.00	35,709.78	184,021.39	219,731.17
2021	3.00	30,189.14	189,542.03	219,731.17
2022	3.00	24,502.87	195,228.30	219,731.17
2023	3.00	18,646.03	201,085.14	219,731.17
2024	3.00	12,613.47	207,117.70	219,731.17
2025	3.00	6,399.94	213,331.23	219,731.17
		<u>\$ 1,125,578.51</u>	<u>\$ 3,269,044.89</u>	<u>\$ 4,394,623.40</u>

Taylorsville-Bennion Improvement District

Notes to Financial Statements

December 31, 2005 and 2004

NOTE G - LONG-TERM DEBT SERVICE REQUIREMENTS (Continued)

ANNUAL CASH REQUIREMENT FOR RETIREMENT OF BONDS, NOTES AND LEASES PAYABLE AND FOR INTEREST PAYMENTS

Year Ended December 31,	Tom Erkelens Note Payable	Central Valley Payable	Revenue Bonds Payable	Total Due for Year
2006	\$ 51,559.38	\$ 219,731.17	\$ 1,210,717.50	\$ 1,482,008.05
2007	-	219,731.17	1,207,717.50	1,427,448.67
2008	-	219,731.17	1,207,560.00	1,427,291.17
2009	-	219,731.17	-	219,731.17
2010	-	219,731.17	-	219,731.17
2011	-	219,731.17	-	219,731.17
2012	-	219,731.17	-	219,731.17
2013	-	219,731.17	-	219,731.17
2014	-	219,731.17	-	219,731.17
2015	-	219,731.17	-	219,731.17
2016	-	219,731.17	-	219,731.17
2017	-	219,731.17	-	219,731.17
2018	-	219,731.17	-	219,731.17
2019	-	219,731.17	-	219,731.17
2020	-	219,731.17	-	219,731.17
2021	-	219,731.17	-	219,731.17
2022	-	219,731.17	-	219,731.17
2023	-	219,731.17	-	219,731.17
2024	-	219,731.17	-	219,731.17
2025	-	219,731.17	-	219,731.17
	<u>\$ 51,559.38</u>	<u>\$ 4,394,623.40</u>	<u>\$ 3,625,995.00</u>	<u>\$ 8,072,177.78</u>

NOTE H- CENTRAL VALLEY WATER RECLAMATION FACILITY

During 1978, the District entered into a joint venture with four other special districts and two other cities. The joint venture was organized to construct and operate a regional sewage treatment facility, for the benefit of the seven members. The seven members and their related ownership interests, as amended, prior to the 2005 ownership adjustment are listed below:

Taylorsville-Bennion Improvement District

Notes to Financial Statements

December 31, 2005 and 2004

NOTE H- CENTRAL VALLEY WATER RECLAMATION FACILITY (Continued)

	<u>Original Facility</u>	<u>New Expansion</u>	<u>Enhance- ments</u>	<u>Digesters</u>
Cottonwood Improvement District	19.57%	5.68%	18.12%	10.87%
Salt Lake City Suburban Sanitary District #1	25.62	23.75	24.78	25.21
Granger-Hunter Improvement District	21.12	22.45	20.24	15.41
Kearns Improvement District	5.98	31.86	11.26	29.71
Murray City	8.89	3.89	8.02	3.31
South Salt Lake City	6.12	2.59	5.10	3.39
Taylorsville-Bennion Improvement District	<u>12.70</u>	<u>9.78</u>	<u>12.48</u>	<u>12.10</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

During October 2004, the Board of Directors adopted a change to the member entities' percentage of ownership in the "new expansion" and "digesters" to better reflect existing and future use. It is intended that any future changes will be negotiated between the entities. The percentage of ownership changes were effective on April 18, 2005, and the District received \$184,373 as a result of these ownership percentage changes. These revised percentages are as follows:

	<u>Original Facility</u>	<u>New Expansion</u>	<u>Enhance- ments</u>	<u>Digesters</u>
Cottonwood Improvement District	19.57%	7.32%	18.12%	8.04%
Salt Lake City Suburban Sanitary District #1	25.62	23.62	24.78	20.08
Granger-Hunter Improvement District	21.12	25.47	20.24	25.05
Kearns Improvement District	5.98	24.00	11.26	28.44
Murray City	8.89	6.84	8.02	6.28
South Salt Lake City	6.12	2.51	5.10	1.38
Taylorsville-Bennion Improvement District	<u>12.70</u>	<u>10.24</u>	<u>12.48</u>	<u>10.73</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

The joint venture is administered by a joint administration board. Each member appoints one member to the board, and voting power is not related to ownership. Therefore, each member is equal to another for voting privileges. The joint venture is responsible for adopting a budget and financing its operations, subject to the approval by each of the seven members.

Taylorsville-Bennion Improvement District
Notes to Financial Statements
December 31, 2005 and 2004

NOTE H- CENTRAL VALLEY WATER RECLAMATION FACILITY (Continued)

The District accounts for its investment in Central Valley using the equity method of accounting. Summarized financial information of Central Valley as of December 31, 2005 and 2004 and for the years then ended is as follows:

	2005	2004
Total assets	\$ 137,866,137	\$ 114,471,443
Total equity		
Members	75,520,106	81,283,878
Government grants	28,676,543	29,690,214
Revenue	9,475,300	9,324,689
Net loss	(7,035,338)	(6,223,936)
The District's interest in:		
Equity	8,977,049	9,793,923
Net loss	(670,403)	(638,365)

All expenses (except depreciation) incurred by Central Valley are billed to its members. Accordingly, the District's equity in net losses of Central Valley annually approximates its share of Central Valley's depreciation expense. Audited statements are available at Central Valley Water Reclamation Facility, 800 West Central Valley Road, Salt Lake City, Utah 84119.

The District incurred the following costs from the joint venture for the years ended December 31, 2005 and 2004.

	2005	2004
Administration	\$ 97,042	\$ 89,630
Operations and maintenance	1,113,353	1,120,613
TOTAL	<u>\$ 1,210,395</u>	<u>\$ 1,210,243</u>

At December 31, 2005 and 2004, the District had a balance due to Central Valley Water Reclamation Facility of \$142,761 and \$300,518 respectively.

Taylorsville-Bennion Improvement District

Notes to Financial Statements

December 31, 2005 and 2004

NOTE I- RETIREMENT POLICY

The District adopted an early retirement policy in 2002 that will affect employees with 25 or more years of service to the District. Employees eligible for this program will receive 50% of their annual salary on the date of their retirement. Then on that date twelve (12) months later they would receive 25% of their salary for the 2nd year and twelve (12) months later they would receive 25% of their salary for the 3rd and final year after retirement. This program is scheduled to run from January 2003 through the end of December 2007 unless extended by the Board of Trustees by resolution. The District paid individuals early retirement benefits totaling \$52,317 and \$37,413 for the years ending December 31, 2005, and 2004, respectively. On April 20, 2006, the District's Board of Trustees voted to extend this benefit through December 31, 2012.

Effective January 19, 2006, the District revised the Retirement Benefit - Purchase of Service Years policy where the District will participate in the purchase of additional years of service credit up to a maximum of five years, to any employee that has worked for the District 25 years or longer.

NOTE J- BOARD DESIGNATED NET ASSETS

The Board is reserving another \$1,000,000 for emergencies and for foreseeable expenditures. The water sources are increasingly becoming of a lesser quality because of greater draw-down in the wells and an increasing population and use in the water shed area. This will require some or all of the water in the District to be treated, which is approaching more rapidly than earlier expected. Also, much of the District's infrastructure in reservoirs, water lines and sewer lines is reaching a projected life expectancy, and much of it has been fully depreciated. These will need to be replaced as required.

SUPPLEMENTARY INFORMATION

Taylorsville-Bennion Improvement District
Schedule of Revenues, Expenses and Other Receipts and Expenditures
Budget to Actual
For the Year Ended December 31, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUE			
Water service	\$ 5,222,000	\$ 5,154,354	\$ (67,646)
Sewer service	2,838,000	2,769,004	(68,996)
Water connection fees	30,000	32,400	2,400
Pre-treatment charges	95,000	85,161	(9,839)
Penalties	40,000	34,552	(5,448)
Miscellaneous	78,300	79,947	1,647
Total Operating Revenue	<u>8,303,300</u>	<u>8,155,418</u>	<u>(147,882)</u>
OPERATING EXPENSES			
Administrative salaries	286,967	289,071	2,104
Office salaries	198,650	203,447	4,797
Maintenance salaries	699,017	697,011	(2,006)
Overtime salaries	18,000	13,361	(4,639)
Sick pay	40,000	32,773	(7,227)
Safety and service awards	8,000	9,957	1,957
Retirement early incentive	40,328	52,317	11,989
Central Valley administrative	78,565	79,956	1,391
Travel and subscriptions	20,000	14,729	(5,271)
Office expense	62,000	47,013	(14,987)
Janitorial	10,000	9,600	(400)
Postage and bank charges	60,000	57,376	(2,624)
Telephone and telemeter	21,000	20,198	(802)
Legal services	15,000	10,650	(4,350)
Interim audit services	5,000	4,255	(745)
Auditing services	16,000	17,000	1,000
Computer costs	25,000	16,216	(8,784)
Gas and oil	33,000	35,942	2,942
Employee health insurance	281,892	288,721	6,829

Taylorsville-Bennion Improvement District
Schedule of Revenues, Expenses and Other Receipts and Expenditures
Budget to Actual
For the Year Ended December 31, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING EXPENSES (Continued)			
Insurance - other	\$ 75,000	\$ 70,518	\$ (4,482)
Damage claims	10,000	2,095	(7,905)
Payroll taxes	90,051	93,131	3,080
Unemployment claims	5,000	-	(5,000)
Employees retirement	196,586	204,980	8,394
Sewer maintenance	45,000	64,838	19,838
Sewage treatment - Central Valley	1,109,141	1,113,418	4,277
Utilities	523,500	495,097	(28,403)
Supplies and uniform cleaning	14,500	13,536	(964)
Water maintenance	45,000	56,220	11,220
Metropolitan Water District	20,000	3,440	(16,560)
Jordan Valley Water Conservancy District.	1,400,000	1,458,702	58,702
Wells maintenance	25,000	12,343	(12,657)
Landscape - wells and reservoirs	86,300	86,248	(52)
Repairs and maintenance - equipment	33,600	33,580	(20)
Water analysis	55,500	29,519	(25,981)
Miscellaneous engineering	25,000	20,833	(4,167)
Utah Special Districts	8,500	8,000	(500)
Repairs and maintenance-booster and reservoirs	7,000	4,534	(2,466)
Bond expense	5,000	4,320	(680)
Miscellaneous expense	4,000	4,469	469
Depreciation	2,075,000	2,046,859	(28,141)
Amortization of investment in Central Valley	<u>700,000</u>	<u>636,750</u>	<u>(63,250)</u>
Total Operating Expenses	<u>8,477,097</u>	<u>8,363,023</u>	<u>(114,074)</u>
Net Operating Income (Loss)	<u>(173,797)</u>	<u>(207,605)</u>	<u>33,808</u>

Taylorsville-Bennion Improvement District
Schedule of Revenues, Expenses and Other Receipts and Expenditures
Budget to Actual
For the Year Ended December 31, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
NON-OPERATING INCOME (EXPENSE)			
Property tax revenue and Barrington Park	\$ 503,000	\$ 490,769	\$ (12,231)
Interest income	50,000	172,365	122,365
Gain (Loss) on disposal of fixed assets	-	27,465	27,465
Gain (Loss) on disposal of assets- CVWRF	-	(33,653)	(33,653)
Central Valley income	30,000	39,998	9,998
Water impact fees	125,000	116,419	(8,581)
Sewer impact fees	120,000	136,042	16,042
Interest expense	(199,833)	(252,075)	(52,242)
Net Non-Operating Income (Expenses)	<u>628,167</u>	<u>697,330</u>	<u>69,163</u>
Net Income (Loss) before contributions	<u>454,370</u>	<u>489,725</u>	<u>35,355</u>
OTHER RECEIPTS			
Engineering fees and deposits	23,000	45,907	22,907
Bond Proceeds	-	3,269,045	3,269,045
Sale of Fixed Assets	-	461,330	461,330
Total Other Receipts	<u>23,000</u>	<u>3,776,282</u>	<u>3,753,282</u>

Taylorsville-Bennion Improvement District
Schedule of Revenues, Expenses and Other Receipts and Expenditures
Budget to Actual
For the Year Ended December 31, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OTHER EXPENDITURES			
Equipment	\$ 89,700	\$ 138,210	\$ 48,510
Land	-	3,713	3,713
Office building	5,000	14,741	9,741
Sewer line	25,000	872	(24,128)
Sewer lift station	22,000	35,191	13,191
Sewer lines in subdivisions	15,000	20,830	5,830
Water lines	241,202	-	(241,202)
Water lines in subdivisions	15,000	19,005	4,005
Wells mechanical	50,000	13,326	(36,674)
Pump station	8,000	8,635	635
Reservoirs	-	1,895	1,895
Water rights	-	16,533	16,533
Water laterals and meters	55,000	35,713	(19,287)
Central Valley Water Reclamation	883,792	249,148	(634,644)
Miscellaneous engineering	44,000	37,256	(6,744)
Payment on note payable	61,255	61,255	-
Payment of line of credit	540,745	552,556	11,811
Payment of revenue bonds	<u>2,270,344</u>	<u>2,270,344</u>	<u>-</u>
 Total Other Expenditures	 <u>4,326,038</u>	 <u>3,479,223</u>	 <u>(846,815)</u>
 Excess (Deficit) of Revenue and Other Receipts Over Expense and Other Expenditures	 <u>\$ (3,848,668)</u>	 <u>\$ 786,784</u>	 <u>\$ 4,635,452</u>

NOTE

Contributions from builders and subdividers of \$341,857 not included on this statement due to the fact that it is not budgeted for.

SCHEDULE 2

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
INSURANCE COVERAGE
DECEMBER 31, 2005

CNA	Number	Insurance Coverage		Amount	Term	Amount of Premium
		Public Official Bond				
	190564855			\$ 435,000	12/31/05	\$ 1,148
The St Paul	GP09313381	Crime			12/01/06	75,712
		Employee Dishonesty		50,000		
		Forgery or Alteration		10,000		
		Theft, Disappearance & Destruction		10,000		
		Business Auto			12/01/06	
		Liability		2,000,000		
		Uninsured motorist		1,000,000		
		Under-insured motorist		1,000,000		
		Property		8,957,530	12/01/06	
		Electronic Data Processing		386,450	12/01/06	
		Boiler and Machinery		750,000	12/01/06	
		General Liability			12/01/06	
		General Aggregate		2,000,000		
		Products/Completed Oper. Aggr.		2,000,000		
		Personal & Advertising Injury		2,000,000		
		Each Occurrence		2,000,000		
		Employee Benefits		2,000,000		
		Equipment Floater		457,000	12/01/06	
		Umbrella		10,000,000	12/01/06	



ROBISON, HILL & Co.
A PROFESSIONAL CORPORATION

Certified Public Accountants

BRENT M. DAVIES, CPA
DAVID O. SEAL, CPA
W. DALE WESTENSKOW, CPA
BARRY D. LOVELESS, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Board of Trustees
Taylorsville-Bennion Improvement District
1800 West 4700 South
Salt Lake City, Utah 84118

Dear Members of the Board:

We have audited the financial statements of Taylorsville-Bennion Improvement District as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated May 15, 2006. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Taylorsville-Bennion Improvement District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBERS OF THE PRIVATE COMPANIES PRACTICE SECTION

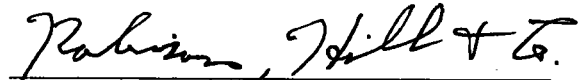
1366 East Murray-Holladay Road, Salt Lake City, Utah 84117-5050
Telephone 801/272-8045, Facsimile 801/277-9942

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Taylorsville-Bennion Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Certified Public Accountants

Salt Lake City, Utah
May 15, 2006



ROBISON, HILL & CO.
A PROFESSIONAL CORPORATION

Certified Public Accountants

BRENT M. DAVIES, CPA
DAVID O. SEAL, CPA
W. DALE WESTENSKOW, CPA
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INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Board of Trustees
Taylorsville-Bennion Improvement District
1800 West 4700 South
Salt Lake City, Utah 84118

Dear Members of the Board:

We have audited the financial statements of Taylorsville-Bennion Improvement District for the years ended December 31, 2005 and 2004 and have issued our report thereon dated May 15, 2006. Our audits included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Truth in Taxation and Property Tax Limitations
- Budgetary Compliance
- Special Districts
- Other General Compliance Issues
- Impact Fees and Other Development Fees

The District did not receive any major or nonmajor State grants during the years ended December 31, 2005 and 2004.

The management of Taylorsville-Bennion Improvement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the

United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audits provide a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Taylorsville-Bennion Improvement District complied, in all material respects, with the general compliance requirements identified above for the years ended December 31, 2005 and 2004.

Respectfully submitted,

Robinson, Hill & Co.

Certified Public Accountants

Salt Lake City, Utah
May 15, 2006



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A PROFESSIONAL CORPORATION

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BRENT M. DAVIES, CPA
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Board of Trustees
Taylorsville-Bennion Improvement District
1800 West 4700 South
Salt Lake City, Utah 84118

Dear Members of the Board:

We would like to thank you and your staff for your cooperation with the audit of the Taylorsville-Bennion Improvement District's financial statements for the year ended December 31, 2005. Professional standards require that we provide you with the following information related to our audit.

As stated in our engagement letter dated December 9, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Taylorsville-Bennion Improvement District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We would like to bring to your attention our observations regarding the District's compliance with the State of Utah legal requirements which we recommend the Board take steps to rectify.

The State of Utah Legal Compliance Audit Guide states that every public treasurer shall secure a fidelity bond, based on the previous year's budgeted gross revenues, which includes all funds collected or handled by the public treasurer. The current bond of \$435,000 complied with these requirements for the year 2005. However, it has been determined that 5% of the 2005 budgeted gross revenue is \$457,715 (\$9,154,300 x 5%), and therefore the bond is insufficient for the year 2006.

We recommend that the Taylorsville-Bennion Improvement District bond be increased to greater than \$457,715 for the year 2006.

Should you have any questions or if we can be of any other assistance, please do not hesitate to contact us.

Respectfully submitted,

A handwritten signature in cursive script, reading "Robinson, Hill & Co.", positioned above a horizontal line.

Certified Public Accountants

Salt Lake City, Utah

May 15, 2006